RBI direction to State Financial Corporation

3673. DR. JINENDRA KUMAR JAIN:

SHRI RAM JETHMALANI:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that State Financial Corporations, set up for granting loans for Industrial Development in the country, have been directed by Reserve Bank of India to strengthen their financial position;

(b) if so, whether it is also a fact that out of 18 corporations set up at present the financial position of only 10 State Financial Corporations is up to the mark;

(c) if so, whether it is a fact that certain suggestions have also been received for taking appropriate action for strengthening the financial position of these Corporations;

(d) if so, what are the details thereof; and

(e) what is the number of those financial corporations where top positions are either vacant or occupied by those who are holding these positions for more than last 3 years?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) to (d) Recently, Industrial Development Bank of India (IDBI) has reviewed the financial position of State Financial Corporations (SFCs). Out of the 18 SFCs, there are 8 SFCs with capital adequacy of less than 4%. While the performance of SFCs in terms of assistance sanctioned and disbursed has registered an improvement their performance in the area of recoveries has been found inadequate. Lower recovery of interest and principal and low or negative plough-back has resulted in large reliance of SFCs on borrowed funds, thereby reducing their profitability.

Government, IDBI and SIDBI review at various forums the working of State Financial Institutions and take measures to improve their performance. SFCs take various steps for improving their performance like restructuring of management, recapitalisation norms in the business operations, upgrading the accounting policies and standards, reorganising the resources pattern etc.

(e) The top position of all SFCs have been filled up. There is, however, no SFC where the top position is held by the concerned executive for more than three years.

Chelliah Committee suggestion to Levy Tax on Service Sector

3674. SHRI BISHAMBHAR NATH PANDE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Chelliah Committee suggested for levy of tax on all service sector as has been done in other countries, and

(b) if so, whether Government have taken any decision on imposing Tax on all services?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) Yes, Sir.

(b) Government have set up a Group under Fiscal Adviser (Shri Raja J. Chelliah) and two other groups under Secretary (Revenue) to process the various recommendations of Tax Reform Committee and advise the Govt. on the feasibility of implementation, implications of revenue gain or loss, impact on domestic industrial production and other aspects.

Non-Implementation of Promotion Rules in RRBs

3675. SHRI MOHAMMED AMIN: Will the Minister of FINANCE be pleased to state:

(a) whether there is a recruitment-cum-promotion rule 1988 for the Regional Rural Banks, framed by the Government of